

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

USGEN NEW ENGLAND, INC.)
NEW ENGLAND POWER COMPANY)
MASSACHUSETTS ELECTRIC COMPANY)
NANTUCKET ELECTRIC COMPANY)

Docket No. D.T.E. 97-94

REBUTTAL TESTIMONY

OF

MICHAEL E. HACHEY

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USGen New England, Inc.
New England Power Company
Massachusetts Electric Company
Nantucket Electric Company
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Witness: Hachey

1 QUALIFICATIONS

2 Q. Please state your name and business address.

3 A. Michael E. Hachey, 25 Research Drive, Westborough, Massachusetts 01582.

5 Q. Please state your position.

6 A. I am Vice President and Director of Generation Marketing for New England Power
7 Company.

9 Q. Will you describe your educational background and training?

10 A. I received a Bachelor of Science in Electrical Engineering degree from Northeastern
11 University in 1976 and a masters of Engineering in Electric Power Engineering degree
12 from Rensselaer Polytechnic Institute in 1977. After receiving my Masters degree, I
13 began working for NEES as an engineer in its Planning and Power Supply Department. I
14 continued to work in that department, holding a series of increasingly responsible
15 positions until 1981 when I became an assistant to one of the NEES Vice Presidents. In
16 1982, I became Manager of Technical Services within the Thermal Production Department
17 and, in 1985, I became the assistant to the Plant Superintendent at NEP's Brayton Point
18 Station. In 1988, I was detailed to assist with litigation arising out of the collapse of one
19 of the coal silos at that station. In 1989, I became Manager of the Alternate Energy

1 Department. In 1994, the Alternate Energy and Generation Marketing Departments were
2 merged, and I became Manager of the Generation Marketing Department. In 1997, I was
3 promoted to Vice President.
4

5 NEP HAS REASONABLY MANAGED ITS PURCHASED POWER CONTRACTS

6 Q. Mr. Levitan suggests in his testimony that New England Power undertook limited
7 mitigation of its non-utility generation contracts. Do you agree with this assessment of
8 New England Power's activities with respect to these contracts?

9 A. No, I do not. New England Power has been a leader in innovative undertakings to
10 mitigate the impacts of above market non-utility generation contracts. For example, New
11 England Power, in cooperation with the project developer, successfully bid a portion of
12 the Altresco Pittsfield project it had under contract to another utility at a net savings of to
13 customers of well over \$50 million. In another undertaking, New England Power bought
14 out the Newbay Project in Rhode Island and had a number of other power sales
15 arrangements effectively transferred to it from Newbay that resulted in substantial savings
16 to its customers. In a number of other cases, New England Power terminated projects
17 either through contract buy outs or under the strict milestone provisions that it had
18 negotiated into the contracts. Further information on mitigation can be found in exhibit

1 MEH 1, which is our response to Enron's Data Request ECT-1-9 which I will sponsor as
2 an Exhibit during the hearing.

3 With respect to the contracts that continue to this day, New England Power
4 successfully implemented what it regarded as good public policy at the time and undertook
5 measures in its contracting processes to ensure that it signed reliable and solid projects
6 that would last over time as integral elements of its power supply. As a result, these
7 projects have no frailties that New England Power could exploit to mitigate the economic
8 effects of the contracts. The solid waste projects under contract obtain substantial
9 revenues from tipping fees as a secondary source of revenue and further have become
10 integral elements of solid waste disposal in the state. The gas fired cogeneration contracts
11 have pricing formulas that were intended to closely mirror the cost structures of the
12 projects. As a result, these projects have remained strong and operationally successful. In
13 the case of the Milford Power project, New England Power successfully negotiated an
14 extremely flexible arrangement and currently is taking advantage of a non-firm gas supply
15 to the facility which currently is the most cost effective way of operating the project for its
16 customers. We do not believe that strong arm tactics exercised with respect to these
17 contracts would ultimately produce significant savings; in fact, they could result in
18 substantial penalties in the event that a judge or jury found that NEP had not appropriately
19 exercised its rights under those contracts. We have explored creative financing

1 arrangements on one of these projects, but to-date it has proven to be an unsuccessful
2 attempt to mitigate project costs.

3 One final reason these contracts will be difficult to mitigate is that the variable
4 charges under these contracts are all below market. Other utilities have taken advantage
5 of above market variable charges and used it as a mechanism to achieve a win/win solution
6 for both the project developer and the utility. This feature is not available to New England
7 Power.

8
9 Q. Thank you. I have no further questions.